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USSR Report

INTERNATIONAL ECONOMIC RELATIONS

(FOUO 4/81)

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USSR-CEMA TRADE

MANAGING FOREIGN ECONOMIC TIES IN EUROPEAN CEMA COUNTRIES

Moscow VOPROSY EKONOMIKI in Russian No 5, May 81 pp 106-114

[Article by O. Bakovetskiy: "Managing Foreign Economic Ties in the European CEMA Nations"]

[Text] The study and use of mutual positive experience in organizing production, management and solving national economic problems is of important significance in resolving the myriad tasks facing CEMA nations. L. I. Brezhnev noted in the CPSU Central Committee Accountability Report to the 26th Party Congress that we should "study more attentively and make better use of the experience of fraternal countries." This applies directly to managing foreign economic ties. The experience of a number of CEMA nations in which the methods of managing foreign economic activity have been substantially changed in the course of economic reforms over the last 10-15 years is of great interest.

The primary goal of improving the management of foreign economic ties is to improve the efficiency of the national economy, which in the European CEMA nations is determined largely by their increased participation in the international division of labor, by the effectiveness of foreign trade turnover. CEMA nations involved in deliveries of energy carriers, raw material and machinery pay particular attention to developing exports as a means of payment and, in this connection, as a condition necessary for expanding imports and making them more effective. A significant and, most importantly, constantly growing portion of the national income of the socialist states is realized through foreign trade. Thus, exports reached 29 percent of the national income in Czechoslovakia in 1978, 30 percent in the GDR, 40 percent in Bulgaria and 54 percent in Hungary. For example, as was noted at the October (1977) HSWP [Hungarian Socialist Workers Party] Central Committee Plenum, "to develop its production, Hungary must increase its imports, and it can cover them only by intensified expansion of its exports.... It is necessary," the plenum pointed out, "to increase HPR [Hungarian Peoples Republic] participation in the international division of labor. The HPR is attaining its goals in developing its economy in close cooperation with CEMA member-nations. At the same time, it is trying to broaden its own economic relations with nonsocialist countries as well."[1] This leads to a situation in which foreign economic factors exert an ever-greater influence on consumption

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[1]"Soobshcheniye o plenume TsK VSRP. 20 oktyabrya 1977 g. Informatsionnyy byulleten' TsK VSRP" [Report on the 20 October 1977 Central Committee Plenum of the HSWP. Information Bulletin of the HSWP Central Committee], Budapest, 1977, pp 10-12.

of the national income produced, in the physical-substantive structure of recompensation, accumulation and consumption reproduction funds formed as a result of economic exchange between countries. At the same time, foreign economic ties also influence national income cost volume used for accumulation and consumption.

In the not too distant past, many socialist countries did not have sufficiently flexible and stable contacts between the production and foreign economic spheres. Direct links to the markets were effected only through foreign trade organizations. Calculations between them and industrial enterprises for output supplied for export or imported from abroad were based on domestic prices. All income from export-import operations was concentrated in foreign trade organizations and was then transferred to the state budget. Conditions for selling output on the world market did not influence the activity of industrial enterprises.

But under present conditions in the socialist countries, this system of relations between foreign trade and industry has not facilitated increasing the effectiveness of foreign economic ties. The primary goals in changing the system of foreign economic activity management in a majority of the European CEMA countries have therefore been foremost to overcome the separation of national production and foreign market demands, the establishment of a planned, cost-accounting interaction between production and foreign trade organizations and the creation of a two-fold cost-accounting interest within industry and foreign trade organizations in expanding exports advantageous to the country and in importing. Thus, the primary task set management in the foreign economic sphere in Bulgaria has been to improve relations between organizations participating in foreign economic activity through the creation of a direct dependence of revenues from output produced on the results of selling that output in international markets.[1] Similar goals have been set in other CEMA nations.[2]

The central problem in improving the management of foreign economic ties during the economic reforms which have occurred in a majority of socialist countries has been to achieve an effective combination of centralized, planned leadership with the development of foreign-trade and production enterprise initiative. To this end, the number of decreed indicators was decreased and they shifted from planning in physical indicators to planning in cost terms for a number of foreign trade plan positions. Price-formation reforms to bring domestic prices closer to world prices were carried out. In many countries, calculated foreign exchange coefficients are now a basis for including the results of joint industry and foreign trade activity in each other's cost-accounting relations. Cost-accounting agreements are now used widely as the bases of production and foreign trade. Obligations were redistributed among foreign economic departments and subordinate organizations so that the former could concentrate on long-range problems in developing foreign economic ties and the latter could assume responsibility for current activity; in some instances, the right to manage foreign trade activity was transferred to industrial organizations.

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[1]"Osnovni polozheniya na novata sistema na r"kovodstvo na narodnogo stopanstvo," Sofia, 1966, p 7.

[2]See, for example: "Novoye v planirovanii i upravlenii narodnym khozyaystvom v VNR" [Innovations in HPR Economic Planning and Management], Izd-vo "Progress", 1969; "Novoye v planirovanii i upravlenii SRR" [Innovations in Planning and Management in the Romanian Socialist Republic], Izd-vo "Progress", 1973.

The organizational rapprochement of the foreign economic sphere and industry and an increased role for the direct implementers participating in foreign economic activity, and foremost the branch industrial ministries and departments, associations, combines and enterprises, have been characteristic features of the steps taken. At the same time, the countries have differed in degree of implementer responsibility in foreign economic activity, by differences in areas of responsibility of economic units entitled to establish foreign economic ties.

With improvement in the management of foreign economic ties, the dominant trend has been organizational linking of specialized foreign trade enterprises and corresponding production associations and enterprises. Thus, foreign trade enterprises in the PRB [People's Republic of Bulgaria] and the GDR have been transferred from the ministries of foreign trade and are directly subordinate to the corresponding production units or agencies supervising their activity. At the same time, the ministries of foreign trade continue to exercise control over conducting state trade policies and observance of foreign trade norms. A second trend is that specialized links (departments, bureaus) concerned with exports have been created within production units (as in Hungary and the GDR, for example). These links generally market output of their own associations or combines and are directly subordinate to the production association or its superior agency. However, their work is supervised by the Ministry of Foreign Trade. The next trend has been towards creating foreign trade organizations which would carry out export-import operations on a large scale, at the level of one or several branches of the economy; different organizational procedures were adopted in different countries. In particular, such tasks are being carried out by special state agencies acting as general contractors but which are not legal entities, by general contractors and enterprises designated by state agencies (or those interested in making a particular deal) which are granted the right to carry on foreign trade activity, and so forth.

Thus, participation by production organizations in foreign trade activity in Bulgaria can take any of three forms: first, direct inclusion in foreign trade organizations or through an appropriate management link; second, through a specialized foreign trade organization subordinate to a branch ministry; third, through a foreign trade organization in another economic organization or other ministry. In this regard, specialized links serving the corresponding economic organization producing goods for export are created in the latter two instances in the foreign trade organization.[1]

In Hungary, foreign trade turnover is effected for the most part by specialized foreign trade organizations managing export-import activity on a commission basis, in which the commission agent (the foreign trade enterprise) purchases goods and sells them in foreign markets for a set fee. The enterprises are granted the right to choose independently a commission agent for foreign trade operations. At the same time, more than 100 industrial enterprises have been given the right to independent foreign trade activity, and the number of such enterprises is increasing.[2]

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[1]"Byuletin normativni aktove za upravleniye na v"nshnot"rgovskata deynost," Sofia, 1980, pp 1-2.

[2]"A nèpgazdasàg irányitasi rendszer," Budapest, 1970, 163 old; MAGYAR KÖZLÖNY, No 56, 1979.

Until recently, a significant portion of GDR foreign trade turnover was carried on by organizations run by the Ministry of Foreign Trade. Moreover, a number of foreign trade organizations were subordinate to branch ministries and combines.[1] In accordance with a resolution adopted in 1980, foreign trade enterprises are being transferred either to branch ministries or to combines, but will simultaneously be under the supervision of the Ministry of Foreign Trade. The Ministry of Foreign Trade retains management of just one foreign trade enterprise, for purchasing complete sets of equipment.

In the Czechoslovak SSR, there are in addition to foreign trade enterprises subordinate to the Federal Ministry of Foreign Trade, joint-stock societies managed by the Ministry of Foreign Trade, but including as shareholders industrial associations, foreign trade enterprises and a foreign trade bank. At the same time, about 20 industrial associations carry on foreign trade activity themselves.[2]

The differences noted result not only from dissimilar conditions under which the economies of the individual countries operate, but also from different approaches to solving this problem. The industrial associations were advanced to the fore in the course of improving the organizational-economic participation of industrial production in foreign economic activity. Having assumed responsibility for the branch of production subordinate to them in the course of the economic reforms, they received broad powers to develop relations with foreign partners. In a majority of the socialist countries, the industrial associations themselves determine the product assortment produced by the enterprises comprising them, based on the principle of maximum effectiveness. The associations have become conductors of structural changes in the economy, initiators of accelerated development of the most effective types of production from the viewpoint of international specialization.

Heightening the role of the production link in the foreign economic sphere has had a substantial impact on the work of the ministries of foreign trade. New functions appeared for them: coordinating and supervising the activity of state agencies participating in foreign economic ties, questions of international production and scientific-technical cooperation, developing forecasts for the entire foreign economic sphere.

Experience in improving economic ties shows that direct activity by production units in foreign markets can be ensured given their active participation in international specialization and production cooperation, strong dependence between exports and imports, high profitability of the foreign trade operations they conduct, and the provision of skilled personnel. This is borne out by the work experience of such associations as the "Karl Zeiss Jena" (GDR), "Balkankar" (PRB), "Medikor" (HPR), as their proportion of export production has reached 60 percent or more.

Organizational measures have been accompanied by changes in the field of planning foreign economic activity. As the experience of CEMA nations shows, one common direction in improving the system of planning foreign ties has been implementation of

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[1] "Verordnung über Aufgaben, Rechte und Pflichten der Volkseigenen Aussen hadelsberiebe," in GBL, No 1, 1974, p 77.

[2] See: CHEKHOSLOVATSKAYA VNESHNYAYA TORGOVLYA, No 3, 1979.

a comprehensive approach to planning them which is viewed as an integral part of national economic planning as a whole; ensuring the most efficient combination of centralized planned leadership with the initiative of the production and foreign trade enterprises; creating joint interest within industry and the foreign economic apparatus in carrying out export and import operations in the most effective way. In this regard, the primary thing has been to involve industry more actively in planning, preparing and carrying out export operations, to increase its material interest in increasing the production of export output and in improving the economic results of all foreign economic activity. Thus, in order to improve the combining of centralized foreign economic activity management with development of the initiative of associations, combine, enterprises and foreign trade organizations, the number of centralized plan indicators has been restricted, assignments on export products lists have been reduced and consolidated and the range of cost indicators has been expanded and its importance increased. This has been one of the prerequisites for expanding the operational independence of the enterprises. Another important trend has been to broaden the circle of indicators reflecting the effectiveness of foreign economic ties. Here, there has clearly been an effort to adapt planning to changing conditions in foreign ties.

The general tasks facing the fraternal countries in developing the socialist integration process have resulted in the creation of a special element in the CEMA planning system to regulate expanding and deepening mutual economic, scientific and technical cooperation.[1] The development of a new section reflecting integration assignments for the five-year and annual plans of a majority of the CEMA nations plays a leading role in this. The inclusion of integration measures as an integral part of the national economic plans of the socialist states testifies t the intensified, planned interaction of the economies of the integrating states.

The system of CEMA foreign economic ties as a whole includes medium-range (five-year) and current (annual) plans. Increasing attention is being paid to forecasting foreign economic ties and working out the long-range strategy for developing them, to using a program approach to planning foreign economic activity. The medium-range plans are currently primary. One can trace in their development the same preparatory phases as in the five-year national economic plan: analysis of development trends in the up-coming period, defining specific tasks in view of the long-range goals of economic policy and international agreements. The annual plans are based on assignments set for the planning year in the five-year plans and are approved as state plans. They are the operational plans of foreign economic ties and define the specific tasks of their development.

It should be noted that medium-range and annual plans play a dissimilar role in the development of foreign economic ties in different countries. Thus, their implementation is mandatory for enterprises as well in countries having approved long-range plans at all levels. But in other states, the annual plan is considered mandatory for the enterprises. There are differences in the amount and degree of centralized foreign economic planning and planning such ties at enterprises in the CEMA nations.

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[1]For greater detail, see: Bogomolov, O. T., "Strany sotsializma v mezhdunarodnom razdelenii truda" [The Socialist Countries in the International Division of Labor], Izd-vo "Nauka", 1980, pp 199-207.

A significant role in planning foreign trade ties in CEMA countries belongs to production combines, associations and enterprises. Their rights in making independent decisions in the development and implementation of export production have been broadened. Thus, economic units possess broad rights in approving the exports products list within the framework of the overall cost volumes for commodity groups as established by the gosplans and branch ministries.

In accordance with the directive and indirect indicators in the foreign trade plans of the individual countries, substantial differences exist, but they share a common feature, that of carrying out the tasks stemming from long-term agreements among CEMA countries on economic cooperation. In the HPR, for example, where indirect indicators predominate, international agreement commodity lists are drawn up with the participation of industrial enterprises and foreign trade organizations, which agree on the terms under which they can assume implementation of these agreements. After that, they are obligated to include these lists in their plans.

The planned character of CEMA-country economic relations with foreign countries determines the very important role of central planning agencies in the system of foreign economic activity management, as they work out foreign economic ties development prospects and the basic planning indicators for the foreign economic sphere, coordinate them with the indicators of other sections of the national economic plans and supervise calculations of the effectiveness of different economic cooperation variants. The search for an optimum resolution to this particular problem obviously cannot be considered over. For example, the GDR and Bulgaria concluded that export cost planning is not adequate for selling output on foreign markets. But in the HPR, there are practically no assignments set enterprises for exports at all.

Given continued improvement in the forms of ties between industry and foreign trade in the socialist countries, organizational-planning measures are being combined with economic ones, with improvement in the mechanism of cost accounting between the production sphere and foreign trade activity. The basic line is to ensure the direct participation of cost-accounting production associations and enterprises in profits and losses from foreign trade operations, in changing over to the economic stimulation of all participants in foreign economic ties as a function of the actual impact of foreign trade activity. The dominant trend is towards converting the financial results of foreign trade into one of the factors shaping the profit of production enterprises. Thus, the Foreign Trade Law adopted in Hungary in 1974 anticipates the introduction of integral cost-accounting elements into foreign economic activity, setting prices based on calculations between industry and foreign trade for exports and imports on the basis of actual foreign-trade prices recalculated in domestic currency, and strengthening material incentives for foreign trade and industry workers for achieving the best import and export results.[1]

The same kinds of changes were also made in a number of other CEMA countries. At the same time, of course, the specific methods of including foreign trade results in the overall results of economic activity are dissimilar. In a number of countries, for example, national expenditures on exported output are evaluated in domestic wholesale prices, and in others, foreign-trade prices are compared directly with output net cost. However, the actual foreign-exchange receipts from exports are always recalculated, using special foreign-exchange calculation coefficients, into the national currency and become part of cost-accounting organization revenues.

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[1]MAGYAR KÖZLÖNY, No 76, 1974.

The foreign-exchange calculation coefficients on whose basis foreign trade prices expressed in foreign currency are recalculated into the national currency have taken on important significance in the cost-accounting ties of industry and foreign trade. In content, these coefficients determine the "prices" of a specific unit of foreign currency. They are used as instruments for internal calculation between industry and foreign trade, as tools to set prices in an economically substantiated way and to determine the effectiveness of the activity of organizations participating in foreign economic ties. Their value depends wholly on the foreign-exchange effectiveness of exports. Foreign-exchange coefficients are calculated based on the average national expenditures necessary to obtain a unit of foreign currency. The overall purchasing power of a given currency or its gold content are not used in the calculation. In this regard, two foreign-exchange coefficients generally operate, those relating to the transfer ruble and those relating to the dollar.[1]

The actual effectiveness of foreign trade ties is determined with the help of these foreign-exchange coefficients, which in turn enables us to work out on their basis criteria for evaluating domestic and foreign economic activity and to introduce them into the cost-accounting system for industrial and foreign trade enterprises. These coefficients perform the role of export operations effectiveness normatives for cost-accounting enterprises.[2]

The formation of profit on the base of a single financial result of production and foreign trade activity stimulates an enterprise to lower production outlays, on the one hand, and interests it in higher foreign trade prices, on the other. Enterprises with lower production expenditures, given identical foreign trade prices, receive more profit from product sales on the external market than do enterprises exporting output with high production outlays. The importer also gains an opportunity to compare expenditures associated with obtaining goods he needs from abroad with prices for analogous goods made domestically.

In all the European CEMA countries, recalculating foreign-exchange revenues or expenditures is supplemented by a system of financial levers which change the amount of revenues from foreign trade left to the enterprise. These financial measures

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[1]In a number of CEMA countries, foreign-exchange coefficients have been transformed into the sole official trade rate of exchange on whose basis foreign currency is recalculated into domestic currencies. In particular, foreign rates of exchange were transformed into trade-payment rates of exchange in Hungary in 1976, when it also stopped quoting the forint on the basis of its previously established gold content (BANK SZEMLE, No 11, 1976). In Romania, a single foreign trade rate of exchange expressing the average ratio of domestic and foreign trade prices was introduced. In this regard, the values of foreign exchange coefficients to the dollar and to the transfer ruble have drawn closer to one another in a number of CEMA countries. Thus, $1 was equivalent to 60 forints and the transfer ruble was equivalent to 40 forints in the HPR in 1968; those ratios are now 1:32 and 1:28 forints, respectively. In the PRB, the dollar and transfer ruble ratios were 1:1.6 and 1:1.3 lev in 1971, and they are now 1:0.9752 and 1:0, respectively.

[2]For more detail, see: M. S. Lyubskiy, L. Kh. Sulyayeva and V. M. Shastitko, "Valyutnyye i kreditnyye otnosheniya stran SEV" [CEMA Foreign Exchange and Credit Relations], Izd-vo Nauka, 1978.

bear different names, but the essence is the same -- they amortize the undesireable effects of foreign-trade price changes on the cost-accounting results of the activity of enterprises and associations, making up, when necessary, for differences between actual production expenditures and foreign trade receipts.

The size of the subsidy is determined on the basis of export and import delivery plans, generally in the form of price surcharges. The amounts are differentiated by individual enterprise or commodity group as a function of the profitability of the export or import. This system is especially well-developed in the HPR. Export subsidies here are included in the overall financial results of enterprises and increase their profit. When profit from foreign trade operations substantially exceeds that needed to run enterprise cost accounting, deductions from export profit to the budget are applied. Such a system combines material stimulation of production efficiency growth in associations and enterprises effected through internal factors with encouragement for the effective development of foreign economic ties. A direct comparison of production expenditures with foreign trade prices stimulates making the export structure more efficient and lowering enterprise production outlays.

The growth spurt in world prices in recent years has caused a significant gap between foreign-trade and domestic prices, which gap is increasing for reasons not dependent on the enterprises, leading to growth in subsidies allocated basically to importers within the system of regulating domestic prices for imported goods. At the same time, the excess exporter profit generated in connection with the rise in foreign-trade prices is deducted to the budget, for subsequent redistribution, and in particular, to subsidize imports. For example, the HPR has since 1976 used a production tax[1] to neutralize losses arising as a result of change in the conditions of foreign economic activity. With a view towards adapting to altered trade market conditions, calculation coefficients (HPR) or adjusted surcharges (GDR, Czech SSR) have been anticipated.

Recent improvement in foreign economic ties management in the European CEMA countries by disseminating cost-accounting principles to the economic ties of industry and foreign trade has facilitated strengthening planning, organizational and cost-accounting relations between them and the creation of a united interest in improving the effectiveness of foreign economic activity.

Of course, that does not signify that no problems have arisen in the course of operating the systems for managing foreign economic ties in CEMA countries. Thus, we thought, in restructuring the system for stimulating foreign economic ties, to create an economic mechanism which would arouse enterprises to expand export production in every way possible. In practice, however, it turned out that the use of cost categories did not solve the problem of expanding export deliveries or improving their effectiveness in many instances. We did not succeed in fully solving the problems arising in improving the effectiveness of imports either. This resulted, in particular, from the fact that granting foreign-trade rights to industrial links, along with its positive results, intensified the departmental approach to solving export and import problems and led in part to ignoring national economic interests. The multistage organizational structure of foreign economic activity management and the dual subordination of foreign trade organizations definitely complicated relations between industry and foreign trade in the economic-agreement system.

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[1]MAGYAR KÖZLÖNY, No 1, 1977.

In particular, G. Husák noted, in speaking about the management of foreign economic activity in Czechoslovakia, that "the current level of cooperation between production and trade is not satisfactory."[1] "Industrial enterprises and foreign trade organizations must learn to be oriented more flexibly and efficiently towards the actual demand in foreign markets for sales of our goods," said E. Honecker. "This requires first of all even greater joint efforts by industry and foreign trade in the area of utilizing markets for our exports and assumes the organization of efficient, reliable service."[2]

The Romanian press has pointed out the lack of coordination in work between the Ministry of Foreign Trade and International Economic Cooperation and the branch ministries. It has noted the necessity of greater coordination among all economic organizations in the area of foreign economic ties, of creating a single export-import agency with a view towards monitoring progress in making export deliveries.

In this connection, a majority of the CEMA countries have constantly improved the planning, organizational and cost-accounting tools for managing foreign economic ties. Thus, in Hungary, world market prices have become a deciding factor in price formation for output of a majority of branches which are primarily export in orientation, beginning in 1980. This relates to exports to both capitalist and socialist countries, inasmuch as CEMA market contract prices are generally set based on world prices. The import price at which raw materials, energy carriers and a portion of the basic materials and semifinished products are acquired in capitalist and socialist markets has been adopted as the normative basis for wholesale prices. The export price at which the output of processing branches of industry can be sold in the nonsocialist market (the price of exports, in dollars, recalculated to forints based on a foreign-exchange coefficient) has become the basis of prices for that output.

The improved system of state subsidies is aimed at creating normal conditions for enterprise operation. Some subsidies are constant and others temporary, intended for replacement every 4-5 years, during which time enterprises must have reached a high level of profitability. In the opinion of Hungarian economists, these measures must facilitate improvement in the structure of industry, improving its efficiency, foremost from the viewpoint of developing branches specialized for exports, branches whose output is sufficiently competitive to be in demand in a foreign market.[3]

Similar steps are being taken in Bulgaria[4]; Czechoslovakia plans such steps for the current five-year plan. Improvement in domestic price formation along this line is one of the leading trends in developing systems to stimulate foreign economic activity in CEMA countries. Changing over to such a system of forming domestic wholesale prices results from the objective character of European CEMA-country participation in the international division of labor.

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[1]"XV s"yezd Kommunisticheskoy partii Chekhoslovakii" [15th Congress of the Czechoslovak Communist Party], Izd-vo Politizdat, 1977, p 45.

[2]"IX s"yezd Sotsialisticheskoy yedinoy partii Germanii" [9th Congress of the Socialist Unity Party of Germany], Izd-vo Politizdat, 1977, p 82.

[3]MAGYAR KÖZLÖNY, No 12, 1979.

[4]D"RZHAVEN VESTNIK, No 90, 1979.

Countries of the socialist community (Bulgaria, Romania and Czechoslovakia, for example) have recently begun creating mixed companies, with the participation of Western-country capital, in various spheres of economic activity (industry, trade, banking). Thus, the formation of mixed companies with Western companies is regulated in Bulgaria by State Soviet Ukaze No 535, under which contractual cooperation within the PRB and other countries is permitted in the form of industrial cooperation and mixed companies for the purposes of increasing production and exports, including foreign-exchange receipts and increased efficiency of economic activity. All questions of joint economic activity are defined in the agreement, which is concluded with the permission of the PRB Council of Ministers. A mixed company agreement can be concluded for a period not to exceed 15 years, and the proportion of foreign capital is not to exceed 50 percent. In this regard, it is anticipated that the decisions of the mixed company supervisory agency will be made only on the basis of the principle of unanimity and that its chairman must be a Bulgarian citizen.[1] Mixed companies currently play a definite role in the system of foreign economic activity management. They include, for example, these joint enterprises created in Hungary: "Vol'kom" -- to produce Land Rover-type all-terrain vehicles with the participation of Volvo Company of Sweden; "Radelkor" -- to produce blood analyzers with the participation of Corning Medical Company of Britain; "Sikontakt-KFT", with the participation of Interkooperatsion foreign trade organization of Hungary and Siemens Company of the FRG -- to produce electric motors, household appliances, medical apparatus and computer equipment. In May 1980, the Hungarian "Biogam" pharmaceuticals enterprise and the Swedish "Tsima" joint-stock company signed an agreement on founding a joint pharmaceuticals enterprise to produce the new treatment preparation "Gatergen."

In joint enterprises, the Hungarian organizations possess a controlling block of shares. This ensures that they will control the activity of the enterprises. Foreign contributors provide technical documentation, deliver complete sets of parts and assist in exporting the output. A Bank of Central Europe was created in Budapest in 1979; its founders were the National Bank of Hungary and banks in Italy, the FRG, Britain, Austria, France and Japan. Bank charter capital was $25 million, with credit assets of $15 million. National Bank of Hungary's proportion of the bank's capital has reached 34 percent. The bank is called upon to jointly finance trade with countries of the West and make joint capital investments in developing the services sphere, to serve as a source of funds in reversible foreign exchange. It can also service joint operations between bank participants and third-party countries. All bank operations must be carried out only in reversible foreign exchange.[2] The "Rifil" Romanian-Italian enterprise, "Romkontrol Deyta" Romanian-American enterprise, "Roniprot" Romanian-Japanese enterprise and others operate in the Socialist Republic of Romania.

The formation of mixed companies is called upon to facilitate saving capital investments in creating new production capacities, setting up large-scale production and raising the technical level of the products released based on use of the latest equipment and technology.

Individual CEMA member-nations grant Western partners broad opportunities for economic activity, as is borne out by an analysis of normative documents on the creation

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[1] D"RZHAVEN VESTNIK, No 25, 1980.

[2] MAGYAR HIRLAP, No 263, 10 November 1975.

of mixed companies. In particular, the sphere of their activity can be any branch of the economy. Western partners are granted a number of major privileges, as for example, the free use of their portion of the profit in the country or taking it out of the country, free either partially or completely from profit taxes, and so forth. As of now, only a comparatively small number of mixed companies has been created. They are actually just beginning their activity. It is therefore not possible at this point to evaluate their influence on the development of the economies of the countries in which they have been created.

The experience of CEMA countries in the area of managing foreign economic ties is doubtless of interest and needs to be comprehensively studied and thought out. In our opinion, it is of definite importance to further improvement in planning, managing and stimulating foreign economic activity in the USSR, naturally with consideration of the specifics of our national economy and measures being implemented in the area of managing foreign economic ties.

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USSR-CEMA TRADE

CEMA MEMBER-NATION 1980 ECONOMIC RESULTS, 1981 PLANS

Moscow VOPROSY EKONOMIKI in Russian No 5, May 81 pp 115-125

[Article by L. Tarasov: "CEMA Nation Economies: 1980 Results and 1981 Plans"]

[Text] Implementation of the CEMA nations' socioeconomic development programs outlined by the communist and worker party congresses for 1976-1980 was completed in 1980. Their results reflected the development trends which evolved in the 1970's and simultaneously determined the directions of socioeconomic progress we are faced with broadening and deepening in the 1980's.

The scale of social production has increased appreciably in CEMA nations in this past five-year period, its technical base has been strengthened and the well-being of the people has been improved. Production and scientific ties have been broadened and deepened on principles of mutual cooperation. Measures anticipated in the Comprehensive Program of Further Deepening and Perfecting Socialist Economic Integration have been implemented, assisting the economic interaction and mutual supplementation of the national economic complexes and the more effective use of economic resources.

The material-technical foundation of improving social relations and expanding the opportunities of socialist society in the field of spiritual and cultural development of the fraternal peoples has been a substantial increase in and modernization of the production apparatus and improvement in the qualitative parameters of machinery and equipment.

As compared with 1975, fixed production assets for CEMA nations as a whole grew by more than 40 percent. The significant scope of expansion of the material base of production has permitted appreciable up-dating of the technical base for developing the most important branches of the material sphere. At the same time, opportunities for saving working time and reducing the number of workers employed at physical and unattractive labor have increased.

Quantitative and structural changes in the material-technical base have been a most important element in economic strategy to ensure production growth while reducing working time expenditures per unit of output. As a result of improved labor productivity, four-fifths of the increment in aggregate national income was ensured.

Substantial quantitative and qualitative changes occurred in the production of material resources. For CEMA nations as a whole, national income increased 22 percent in

1976-1980. The proportion of industry, construction and branches of the circulation sphere increased steadily in its structure. The proportion of agriculture and lumbering in the production of material resources decreased appreciably. However, the relative reduction in agriculture's proportion of the social product was noted given an absolute increase in agricultural production volume. As compared with 1971-1975, branch gross output over the last five-year period grew by nine percent for CEMA nations as a whole.

In the sphere of interstate economic relations, countries of the socialist community continued to carry out joint measures in production and science on a long-term basis. This introduced new qualitative features into cooperation processes and raised the level of planning, organizing and managing the international socialist division of labor.

Given undisputed achievements in the area of socioeconomic and scientific-technical progress, the fraternal countries had to overcome difficulties and solve difficult problems in their own socialist and communist development.

"The change-over to intensive development of the economy," the CPSU Central Committee Accountability Report to the 26th Party Congress noted, "implementation of major social programs and shaping communist awareness -- all this does not come right away. We need both time and tireless creative searching."

After an appreciable increase in the average yields of the main grain, fodder and commercial crops in 1971-1975, the dynamics of agricultural growth indicators have gradually decreased in a majority of the European CEMA countries. The balance ties between plant growing and stockraising are more complicated now, which has led to retardation of the dynamicity of stockraising development and to a diminished stabilizing role for this branch in the development of agricultural production as a whole.

A trend towards higher availability of capital to live labor was noted this past five-year period. However, that process was accompanied by a persistent trend towards reduction in national economic return on capital in all countries.

The reliability of the supply of raw material, fuel and materials to the national economy and making their consumption more efficient in every way possible has been an important condition for ensuring dynamic economic development in 1976-1980. The extensive use of recovered raw material and production scrap has become an important direction in solving this problem in recent years.

A more complex situation has evolved in the foreign economic sphere. The deterioration of world economic market conditions and the sharp price jumps in the capitalist market have negatively affected foreign-trade exchange conditions in a majority of CEMA countries and have, as a consequence, led to increased sales of exports over imports per unit of foreign-exchange expenditures.

The technical level of the production apparatus has risen slower than planned.

Overcoming such restrictions on economic growth as the manpower deficit, shortages of individual types of raw material and fuel, imbalance in the economy and higher national economic capital intensiveness has required the development and implementation of a system of economic, organizational and social measures ensuring growth

in the technical level of production, improvement in the financial planning mechanism of management and the development of intra-production democracy and the activeness of labor collectives.

In the aggregate, this system, whose development and adjustment continues, will facilitate increasing the effectiveness of socialist management methods inherent to an intensive direction of economic growth at all levels of the national economy.

Material production growth dynamics and production intensification have in the final analysis determined the volume and structure of material resources for (production and nonproduction) consumption and accumulation.

As compared with 1975, real per capita incomes for CEMA countries as a whole have risen 18 percent. Labor revenues and the level of social security, medical, cultural and personal services have risen appreciably. Nearly 14.9 million apartments have been built, permitting improvement in the housing conditions of 60 million people.

Along a number of lines, the economic development trends of this past five-year period were most distinct in 1980. This influenced the overall economic growth parameters for 1976-1980 and were taken into account to one degree or another in CEMA countries when working out 1981 economic policies.

Aggregate production volumes for material resources and the basic proportions and quantitative indicators of their distribution are characterized by the following 1980 data:

Dynamics of National Income Production in CEMA Countries in 1980 (1979 = 100)

Bulgaria	105.7	Poland	96
Hungary	99.2	Romania	102.5
GDR	104.2	Czechoslovakia	103
Republic of Cuba	104	USSR	103.5
Mongolia	103.4		

For CEMA countries as a whole, national income increased 2.6 percent in 1980. More than 70 percent of that increment was ensured by the development of industry and construction and approximately three-fourths by increased labor productivity.

The practical implementation of steps to change the economy over to primarily an intensive path of development was substantially based on the factor of saving material resources. In the GDR for instance, national income growth was ensured given a reduction in the consumption of primary energy resources and given retention or an insignificant increase in consumption of raw and other materials. In Hungary, energy consumption in the national economy did not increase in 1979-1980. In the Soviet Union, expenditures of raw and other materials, fuel and other objects of labor decreased per ruble of gross social product.

The policy of making the investment cycle more efficient -- limiting and concentrating construction work, raising the proportion of capital investment in renovating and modernizing existing production and reducing the amount of unfinished construction -- exerted an appreciable influence on the distribution of material resources.

Aggregate capital investments for the community as a whole increased approximately 1.2 to 1.5 percent, but their dynamics in CEMA countries other than the PRB [Peoples Republic of Bulgaria] and MPR [Mongolian Peoples Republic] were lower than national income dynamics. However, as a result of improvement in the investment cycle, the increment in fixed production assets remained high (from 4.4 percent in the GDR to 9.4 percent in the SRR [Socialist Republic of Romania]). This facilitated continued improvement in labor productivity and in the conditions under which labor functions.

Industry made the largest contribution to developing the national economic complexes of CEMA countries. Aggregate gross output of the branch increased 3.3 percent in 1980.

Dynamics of CEMA-Country Industrial Output in 1980 (1979 = 100)

Bulgaria	103.9	Poland	98.7
Hungary	98.4	Romania	106.5
GDR	104.7	Czechoslovakia	103.2
Republic of Cuba	103	USSR	103.6
Mongolia	110		

As a result of the outstripping growth of branches which determine scientific and technical progress and an increased proportion of machine building and chemistry in overall industrial production, modernization of its structure intensified and industry's opportunities in terms of meeting the needs of the national economy increased on the basis of the release of technically improved items and a greater degree of processing of initial raw and other materials.

Improving labor productivity plays a decisive role in increasing industrial production.

Dynamics of Labor Productivity in Industry in CEMA Countries in 1980 (1979 = 100)

Bulgaria	102.6	Poland	99
Hungary	101.1	Romania	104.2
GDR	104.4	Czechoslovakia	102.5
Republic of Cuba	104.5	USSR	102.6
Mongolia	108.6		

For CEMA countries as a whole, labor productivity accounted for approximately three-fourths of the increment in industrial output.

Branch changes in industry in individual countries were connected with meeting social needs more fully and with strengthening the balance in the economy.

In Bulgaria, electric power engineering (8.6 percent increment), chemistry (11.3 percent), machine-building and metalworking (6.3 percent) were developed faster than other branches. The production of wool and silk fabric increased appreciably. In Hungary, production oriented towards exports, as well as garment production and the printing industry, received priority development. It continued reducing or stopped the production of unprofitable items. In the GDR, growth rates continued high in the development of microelectronics (a 16.5 to 28 percent increment for individual groups of items), plastics (10 percent) and consumer goods in great demand. In the

Republic of Cuba, electric and thermal electric power engineering, timber, wood processing, pulp and paper industry output grew at an accelerated rate. In Romania, high rates of growth were noted in machine building and metalworking (10 percent), chemistry (seven percent) and branches of light industry (9-10 percent). In the Soviet Union, growth in electric power engineering (five percent), chemical and petrochemical industry (six percent), machine tools with numerical preset control (11 percent), computer equipment (14 percent), garments and furniture (five percent) was higher than the industrial average. In Czechoslovakia, the production of nuclear power plant equipment (8.4 percent), computers and equipment for construction and roadbuilding work (11.5 percent) and microelectronic circuits (51.9 percent) has grown more dynamically.

The implementation of major investment measures (accounting for 30-50 percent of the total industrial capital investment in individual CEMA countries) ensured growth in production potential and facilitated growth in output and a higher branch technical level.

In Bulgaria, they began operating the third turbine unit of Maritsa-Vostok-3 TETs, the third reactor at Kozloduy AES, capacities at the petrochemical combine in Burgas, a plant to produce chlorine, vinylchloride and polyvinylchloride in Devno, and other facilities.

In Hungary, production capacities increased in electric power engineering, coal industry, metallurgy, chemistry, construction industry, machine tool manufacturing and footwear industry. In the GDR, three 175-MW units in Markersbach, rolling mills, a plant to produce electric steel, capacities to produce potassium fertilizers, electrical and electronics capacities, facilities to produce devices and control mechanisms and equipment to produce consumer goods became operational.

In the Republic of Cuba, about 70 industrial facilities began operating, including two sugar refineries, two dairies, a glucose plant, eight house-building combines, a power unit for the Rente thermal electric power plant, a textile mill and others.

In Mongolia, the second line of Erdenet ore-enrichment combine and the high-voltage Ulan-Bator - Nalaykha - Baga-Nur electric power transmission line were put up and work was done on expanding, renovating and creating many industrial enterprises with the technical and economic assistance of the USSR.

In Romania, the production potential of the coal, chemical, footwear, furniture and knitwear industries, machine tool manufacturing, agricultural machine building and motor vehicle building increased.

In the USSR, 240 large state industrial enterprises became operational. Capacities were put into operation to produce 13.1 million kilowatts of electric power, 9.9 million tons (conventional units) of mineral fertilizers, 517,000 tons of synthetic resins and plastics and 15 million tons of coal.

In Czechoslovakia, the Yaslovsk-Bogunitsa AES, a 500-MW unit at Mel'nik III power plant, Matador plant in Bratislava and a wire mill in Glogovets were put into operation.

Labor productivity growth and the start-up of new enterprises and capacities enabled CEMA countries to produce 1.726 billion kW-hr of electric power in 1980 (an increase

of 4.4 percent), to mine 1 359 million tons of anthracite and lignite, to extract 617.5 million tons of petroleum and 465 billion cubic meters of natural and casing-head gas.

As compared with 1979, the development of chemical industry accelerated. Aggregate mineral fertilizer production, recalculated to nutrients, was 38.5 million tons (an increment of 7.2 percent), of plastics and synthetic resins -- 6.5 million tons (an increment of 8.2 percent), and of chemical fibers -- about 2.2 million tons (an increment of 5.6 percent).

In machine building, machine tool manufacture was developed at higher rates.

Growth in industrial production has broadened opportunities for supplying agriculture with modern equipment, a growing volume of mineral fertilizers and chemical means of plant protection. This has enabled us to raise the level of mechanization of agricultural jobs and to increase the amount of reclaimed land which, along with the introduction of industrial methods of production and a higher level of farming standards and management, has diminished the impact of unfavorable weather conditions and has facilitated ensuring that the population will be supplied with basic foodstuffs.

As compared with 1979, gross agricultural output in 1980 was 95 percent in the PRB, 103.4 percent in the HPR, 100.2 percent in the GDR, 87 percent in the MPR, 90.4 percent in the PRP [Peoples Republic of Poland], 95 percent in the SRR, 106 percent in the Czechoslovak SSR and 97 percent in the USSR.

In spite of extremely unfavorable weather conditions, production volume increased steadily this past five-year period, thanks to the intensification of management.

Growth in CEMA-Country Gross Agricultural Output During 1976-1980, in % of 1971-1975

Bulgaria	111	Poland	102
Hungary	115	Romania	126.4
GDR	106	Czechoslovakia	109
Mongolia	106	USSR	109

In 1980, CEMA countries (excluding the Socialist Republic of Vietnam) harvested 271 million tons of grains and legumes, six percent more than in 1979. The features of the results of this economic year are described by the following tendencies. In Bulgaria, harvests were good for wheat (14.4 percent increment) and apples (27.4 percent) in 1980, but gross harvests of sunflower seeds, tobacco and sugar beets were down. The number of poultry increased (by 1.6 percent), and the number of head of sheep and hogs decreased slightly (by one percent). In Hungary, the gross wheat harvest was six million tons, 63 percent higher than the 1979 level, and the production of olives and fruit increased. Vegetable and potato harvests decreased somewhat. We can note that wheat yields averaged 40.6 q/ha in 1976-1980 and corn yields 48.6 q/ha, seven quintals higher than in 1971-1975. Steady growth in the production of meat, milk and several other stockraising products was also achieved in the last five-year period. Calculated per resident, meat production reached 190 kg (live weight). Skillful work by agricultural cooperatives and enterprises, along with ensuring that the food needs of the population were met, permitted an appreciable increase in exports of agricultural and food-industry output (by 26 percent in 1976-

1980). The GDR obtained a good grain harvest (nine percent more than in 1979) and yields increased over 1976-1979 averages for a majority of crops. In stockraising, the number of head of all types of livestock, as well as the production of milk, meat and eggs, increased. In the Republic of Cuba, gross harvests of grain, vegetables and fruit increased. In Mongolia, 1980 weather was extremely unfavorable and gross grain harvests dropped (by 22 percent), as did the number of head of cattle, sheep and horses (by 2-3 percent).

In Poland, gross plant-cultivation output decreased by 15.2 percent, due basically to a decrease of 23.2 million tons in the potato harvest and a drop of 3.8 million tons in the sugar beet harvest. Gross grain harvests increased 7.2 percent. Meat production (slaughter weight) was 3.2 million tons (a reduction of 2.6 percent), milk -- 16.2 billion liters (a reduction of 1.4 percent) and eggs -- 8.9 billion (an increment of 2.1 percent).

Romania obtained a good grain harvest (especially of wheat), but gross harvests of sugar beets, sunflower seeds, vegetables and fruit were down. The number of head of livestock remained at the 1979 level.

In the USSR, the gross harvest of grain and legumes was 189.2 million tons (106 percent of the 1979 level), sugar beets -- 79.6 million tons (104 percent), sunflower seeds -- 4.65 million tons (87 percent), vegetables -- 25.9 million tons (95 percent), meat production -- 15.1 million tons, milk -- 90.7 million tons, wool -- 461,700 tons (somewhat below the 1979 level) and eggs -- 67.7 billion (more than in 1979).

In Czechoslovakia, the gross grain harvest was 10.742 million tons (an increment of 18 percent), with yields of 41.3 q/ha. Production of olives and perennial fodder crops (hay) also increased. Due to unfavorable conditions, potato and sugar beet harvests decreased. Production of the basic stockraising products increased -- meat (by 1.4 percent), milk (by 5.5 percent) and eggs (by 5.6 percent).

CEMA foreign economic ties were further developed in 1980. Foreign trade turnover as a whole was 224 billion rubles, a 14.2 percent increase as compared with 1979. Reciprocal trade accounted for 120 billion rubles.

Rates of Foreign Trade Turnover Growth in CEMA Countries in 1980 (1979 = 100)

Bulgaria	114.1	Poland	104.8
Hungary	113.4	Romania	123.2
GDR	110	Czechoslovakia	111
Republic of Cuba	117.9	USSR	117.2
Mongolia	114.3		

The broadening and deepening of integration ties was an important qualitative element in the development of reciprocal trade. In 1980, over 120 multilateral and more than 1,000 bilateral production specialization and cooperation agreements were in effect. They included an agreement signed in 1980 on multilateral international specialization in the area of producing nuclear power plant equipment in 1981-1990, with deliveries totalling several billion rubles. In machine building along, specialization covered more than 10,000 products. The coordination of CEMA-country national economic plans for 1981-1985 was practically completed in 1980.

The scope of material resources production and the nature and direction of their distribution determined opportunities for raising the standards of living and culture of the population in CEMA countries in 1980. The intensiveness of the rise in monetary and in-kind revenues from labor, payments from social funds, as well as society's expenditures on broadening the material base of social, cultural, housing and personal services and on improving working conditions, restoring and protecting the environment, influence the dynamics of growth in the well-being of the people.

Real per capita incomes rose by 2.8 percent as compared with 1979 for CEMA countries as a whole. In Bulgaria, the increment was 2.7 percent, in the GDR -- three percent, in Mongolia -- 3.5 percent, in Romania -- 1.7 percent, and in the USSR -- 3.5 percent. This indicator exceeded the 1979 level slightly in Poland and Czechoslovakia and decreased by 0.4 percent in Hungary.

Monetary payments for the labor of workers and employees rose in all CEMA countries. For the individual countries, its increment ranged from two to 13 percent. At the same time, more attention was paid to differentiating the distribution of monetary revenues from labor as one of the directions for making the use of labor resources more efficient. Pension and grant payments rose and the material base of education, culture and personal services was broadened. This helped further solidify the social guarantees of citizens.

The task of increasing retail commodity turnover was resolved in conformity with the growth in incomes. The dynamics of its volume were, by individual country, compared with 1979: Bulgaria -- 103 percent, Hungary -- 100 percent, the GDR -- 104.3 percent, Mongolia -- 104.1 percent, Poland -- 100.6 percent, Romania -- 106.4 percent, Czechoslovakia -- 102 percent, the USSR -- 105.3 percent. In terms of groups of nonfood goods, the availability of refrigerators, washing machines, television sets, passenger cars and other durables to the population rose. This permitted practical satisfaction of demand as a whole for a majority of them with the level of production capacities already achieved in CEMA countries. However, in this regard, the problem of meeting the demand for high-quality, stylish goods remains.

The volume of services offered the population increased appreciably in all CEMA countries. Housing construction on a broad scale has been an important part of the social programs. In Bulgaria, 74,200 apartments were built, in Hungary -- 89,300, in the GDR -- 169,200, in the Republic of Cuba -- 16,500, in Mongolia -- 5,400, in Poland -- 163,000 (public sector), in Romania -- 197,200, in Czechoslovakia -- 127,800, and in the USSR -- 2.055 million. The availability of children's institutions, general education and vocational training rose in all CEMA countries, medical services improved, the number of instructional and entertainment institutions and the number of copies of publications printed increased.

In 1981, CEMA countries begin carrying out the new five-year socioeconomic development plans. As an integral part of long-range communist and worker party policy, this year's plans contain a number of common provisions. They are oriented towards ensuring continued growth in the well-being of the people on the basis of steady economic growth, the effective use of material resources and production potential, and improvement in work quality.

The planned rates of national economic development are to be achieved by broadly intensifying the economy, through labor productivity growth, by reducing expenditures

of energy and materials and by the better use of fixed assets. The policy of improving the effectiveness of social production by using the achievements of scientific and technical progress will be continued. To do this, measures have been outlined to strengthen the ties between science and production, to improve the quality of scientific developments and accelerate their introduction into production. The fuel and raw materials base of the national economy is being strengthened and broadened as a result of modernization and the more efficient use of material resources. Much attention is being paid to problems of balance and comprehensiveness in economic development. A substantial place has been given to capital construction. Capital investment policy is aimed at improving the effectiveness of updating, modernizing and broadening the material-technical base, at eliminating obsolete fixed assets and inefficient production, at limiting new construction and reducing the time involved in it. We have anticipated better use of the foreign economic factor of growth, ensuring continued development of integration ties among CEMA countries and increasing the effectiveness of trade exchange with capitalist states. In industry, the rates of growth in groups A and B are drawing closer to one another, which will permit the fuller satisfaction of social needs and ensuring that effective demand will be covered by commodities.

The importance of machine building in the technical re-arming of the national economy is being strengthened, for which purpose we are planning to utilize new types of highly productive, economical equipment, to expand the release of high unit-capacity equipment, automatic and semiautomatic lines.

We intend to develop agriculture foremost by raising crop yields and livestock productiveness, reclamation and chemization, the better use of the technical means of the branch, strengthening the fodder base, and forming stable, effective interconnections within the agroindustrial complex framework.

National economic plans are oriented towards further improving the material well-being of the people, towards the all-around development of people. Their systematic, steady implementation includes steps to ensure that the standard of living of each worker corresponds to his labor contribution to the development of society. Along with the change-over to actualizing the directions of socioeconomic plans up to 1985 and for longer periods, the 1981 national economic plans also reflect tasks of a more concrete nature.

The PRB national economic plan anticipates growth of 4.8 percent in social labor productivity, which will enable it to ensure practically the entire increase in national income. The revenues and profits of economic organizations will be increased (profit increment of 14 percent). To do this, they plan to raise the production equipment shift use index, reduce working time losses and accelerate fixed assets turnover. Production investments will be directed primarily into finishing projects under construction, to modernizing and renovating existing capacities. The construction front is being reduced by nearly 400 projects in 1981.

The plan anticipates continued improvement in the production structure along the line of ensuring proportionality between auxiliary, service and concluding stages of the production process, between vertical and horizontal specialization and cooperation in the release of output.

Electric and thermal electric power engineering output will increase 7.2 percent, ferrous metallurgy -- 10.1 percent, machine building -- 8.1 percent, chemical and rubber industry -- 11 percent.

Dynamics of 1981 CEMA-Country Basic National Economic Indicators (in percent of 1980)

	national income	industrial output	gross agricultural output	retail trade turnover	per capita real income
Bulgaria	5.1	5.6	4.7	4.8	3.1
Hungary	2-2.5	3-3.5	3.0	1-1.5	1.0
GDR	5.0	5.8[3]	0.8[5]	4.0	4.0[6]
Republic of Cuba	3.9[1]	4.0	4.0	4.0	...
Mongolia	9.0	9.5	17.0[9]	5.5	6.0[7]
Romania	7.0	8.1[4]	9.0[4]	6.0	3.4[8]
Czechoslovakia	2.8	2.7	2.6	2.3	3.3[7]
USSR	3.4[2]	4.1		4.9	2.9

Key:
1. Social product
2. National income used
3. In the industrial ministries sphere
4. Net output
5. Output of agriculture and food industry
6. Net monetary incomes of the population
7. Monetary incomes of the population
8. Real wage
9. On average, as compared with 1976-1979

The decisive direction in which agriculture is to be developed is seen as grain and meat production which, in combination with growth in light industry (2.4 percent) and food industry (3.5 percent), will permit improvement in supplying the population with foodstuffs and nonfood goods. In the foreign economic sphere (commodity circulation increment of 8.3 percent), the participation of countries in socialist economic integration on a multilateral and bilateral basis will be broadened and deepened, and trade turnover with nonsocialist countries will also grow.

Some 160,000 new apartments will be built and the population will be provided with more industrial services, kindergartens and medical services.

HPR 1981 primary economic activity tasks are to improve balance in the economy, foremost in foreign trade (increment of 7.5 to eight percent in exports and imports somewhat higher than the 1980 level), retention of the level of material consumption already achieved by the population and improvement in living conditions.

National income used for consumption and accumulation will not grow, given a one-percent increase in consumption by the population. Production development is associated in considerable measure with increasing exports. The entire increment is being ensured through higher social labor productivity (the number of employees in industry, construction and agriculture is decreasing). As a result of saving material resources and making their consumption structure more efficient, the dynamics of material expenditures in the economy will not exceed the dynamics of output production.

In industry, modernization of the production structure is being accelerated, and we plan the more dynamic release of means of communication, vacuum equipment, apparatus, medications and chemicals. To attain these goals, there are programs for developing

aluminum, petrochemical and pharmaceutical industries, the production of means of plant protection, spare parts and subassemblies, as well as programs for improving the power system and expanding the use of scrap and recovered raw material. In the investment sphere, capital investments are being concentrated on completing construction in progress. New expenditures are anticipated for developing the energy and raw material complex, profitable exports and effective import substitution. Steps have been planned to strengthen the balance between construction capacities and client orders.

In agriculture, the production of vegetables, fruit, commercial crops and stockraising output is being expanded. A large part of the increment in agricultural and food industry output is planned for export.

In the area of consumption, given a retail trade turnover increase of one to 1.5 percent, the supply of goods to the population will be improved by expanding the assortment of products in demand. The plan is to raise the average nominal wage and the retail price level by 4.5 to five percent. Individual earnings will grow as a function of the qualitative and quantitative results of labor activity. In social security, the actual level of pension security will be retained and supplements to families with three or more children will be increased. The plan is to build 76,000 to 78,000 apartments and also to improve medical and social services to the population.

SRV 1981 basic directions of socioeconomic development are connected with improving the use of the country's labor and land resources, making the investment process more efficient, improving the sphere of distribution and circulation by strengthening the monetary and financial system, improving price formation and wages and raising the level of socioeconomic management.

In agriculture, reliance is being placed on solving the food problem. In 1981, the plan is to harvest 15 million tons of food crops. The area sown to basic agricultural crops will be expanded. In stockraising, the plan is to increase the number of head by two percent. Twenty-five percent of all capital investment will be directed into developing the branch and into irrigation. As compared with 1980, procurements of foodstuffs will be increased by 50 percent, including a 48-percent increase for swine, 50 percent for fresh-water fish, 3.2-fold for soybeans, two-fold for tobacco and more than two-fold for sugar cane.

In industry, efforts will be concentrated on increasing the production of basic types of output -- electric power (six percent), coal (10 percent), chemical fertilizers, cement (67 percent) sugar (18 percent) and silk fabric (16 percent).

In the social sphere, the number of students will be increased (by two percent), as will the number of hospital beds (by three percent) and children's institutions (by four percent). The plan outlines steps to improve supplies of consumer goods to the population.

The 1981 GDR development plan anticipates concentrating investments on projects of national-economic importance, on modernizing and renovating the production apparatus and reducing (by 30-50 percent) the duration of the construction cycle. A special place is being given to saving material resources. The increment in output production and national income must be ensured with the same consumption of energy, raw and other materials, or with an insignificant increase. Expenditures per unit of commodity output are to drop 1.9 percent for industry and 1.6 percent in the case

of construction; specific energy consumption is to drop by four percent, consumption of rolled metal in metalworking industry -- by 6.2 percent, consumption of rolled metal and lumber in construction -- by 3.9 percent, consumption of cement -- by 2.5 percent.

The use of recovered raw material (scrap metal, reprocessed oil, wood shavings, household waste paper) and industrial waste is to be increased by 7.1 percent.

In the area of using labor resources, plan measures are based on saving 450 million hours of working time. For the industrial ministries alone, the plan is to free 67,000 workers for other tasks. Profit increment in the national economy will be 11 percent.

Machine tool manufacture (increment of 9.1 percent), electrical engineering and electronics (8.9 percent), agricultural and transport machine building (7.8 percent) will be developed more dynamically in industry.

The plan is to increase plant-cultivation output by the more efficient use of arable agricultural land and stockraising -- on the basis of effective herd reproduction and improvement in the number of pedigreed animals. Some 174,500 apartments will be built or modernized and the material base of education, public health and social services to the population will be broadened.

The Republic of Cuba national economic plan anticipates steady development of the basic branches of the economy. Labor productivity is to rise by three percent and profit by 20 percent, and commodity output net cost will drop by two percent. In industry, the production of electric power (8.5 percent), chemical output (seven percent), leather footwear (eight percent) and glass and ceramics (13 percent) will grow more dynamically. Capital investments (increment of 5.7 percent) are being concentrated on completing construction in progress and on restoring, renovating and updating existing fixed assets.

In agriculture, an appreciable increase is planned in the production of citrus (seven percent), root crops (eight percent), fruit (five percent) and rice (six percent). The increment in goods and services for the population will be four percent. They anticipate building 20,000 apartments and a number of social and personal-services projects.

The basic task of the MPR 1981 socioeconomic development plan is to continue strengthening the material-technical base, use labor, material and financial resources efficiently and, on that basis, increase social production and improve its efficiency, raising the standard of living and culture. The country's fixed assets are to be increased 10 percent, including an 11-percent increase in fixed production assets. Three-fourths of the increment in national income will be obtained as a result of increased labor productivity.

In industry, labor productivity will increase 4.8 percent; Category I output production will increase 16 percent. Mining industry will be developed at rapid rates (increment of 42.8 percent). Metalworking output will be increased 14.6 percent, wool and textile output -- 11.8 percent, food-industry output -- 14.6 percent; meat output per resident will increase six percent, butter -- eight percent, cooking oil -- seven percent, milk and dairy products -- eight percent.

Agriculture has been set the task of making up the loss caused by weather in 1980 and of increasing plant-cultivation and stockraising output. The total number of head of livestock must increase by two percent and meat and wool production must increase by four percent. Sown area with irrigation systems is to be increased by 3,400 ha. The plan is to harvest 565,000 tons of grain and 108,000 tons of potatoes and vegetables. Fodder production calculated per reference head of livestock is to increase by 30 percent.

Total capital investments in the national economy will be 3.6 million tughriks, of which more than 70 percent is being directed into developing the material sphere. The country's housing supply is being increased by 5.5 percent.

The 1981 SRR national economic plan pays particular attention to strengthening intensive factors of economic development.

Social product volume must grow by 6.1 percent and national income -- by seven percent.

Power engineering development anticipates steps to save energy throughout the national economy. In metallurgical industry, improvement in the rolled metal assortment is being based on preferential growth in the production of items with a high degree of processing. In machine building, outstripping production dynamics are planned for electronic equipment, computer equipment, means of automation, control and measuring devices, and specialized, multifunction machine-tool units.

Industrial output net cost is to decrease by 1.6 percent and materials expenditures -- by 1.3 percent.

The plan pays particular attention to intensive development and continued modernization of agriculture. Branch net output must increase nine percent. In plant cultivation, a substantial increase is planned in the harvests of sunflower seeds, soybeans, sugar beets, flax, hemp, vegetables and fruit, and stockraising has been set the task of increasing the number of head of livestock and increasing production of the basic types of branch output. To these ends, work will be done to drain 100,000 hectares of land and to irrigate 195,000 ha. Agriculture will receive 14,300 tractors and other agricultural equipment. Capital investments in the national economy will be 220 billion lei. Material and financial resources are being directed into completing construction projects as quickly as possible.

The plan is to build 185,000 apartments.

The basic directions of the 1981 CzSSR plan are to ensure conditions for regrouping social production resources to raise the level of balance in economic development. Primary attention is being paid to the conformity of the production structure to the demands of domestic and foreign markets.

Industrial growth dynamics are determined primarily by the availability of raw and other basic materials. The increment in chemical industry production will be 0.7 percent. The domestic raw material base for producing plastics is being broadened, and output will increase by 3.5 percent. This year, they plan to produce more than 10 million tons of pig iron, 15.7 million tons of steel, 11.1 million tons of rolled metal products and 1.5 million tons of steel pipe, 2.3 percent more than in 1980.

Machine-building output will increase by 5.5 percent, with outstripping growth in the production of items for electrical engineering. The basic task of agriculture is to ensure outstripping development of plant cultivation as compared with stock-raising.

Capital investments will remain at the 1980 level, with construction being oriented towards faster completion of projects begun. Social consumption funds will increase by 2.6 percent. Some 110,000 apartments will be built.

The importance of planned use of the advantages of the international, and foremost the socialist, division of labor is being increased in CEMA-country national economic plans. The CPSU Central Committee Accountability Report to the 26th Congress of the Communist Party of the Soviet Union notes: "It is no longer possible to imagine the confident development of any given socialist country and the successful resolution of such problems as, say, providing energy and raw materials or introducing the latest achievements of science and engineering by it without ties with other fraternal countries."

These and other directions of deepening socialist economic integration and cooperation in individual branches of production and science have received further development in the plans of the fraternal countries. The development of foreign economic ties with developing countries and with the industrially developed capitalist states is planned on a mutually advantageous basis.

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USSR-EAST EUROPE BILATERAL TRADE

BILATERAL PROGRAMS FOR SPECIALIZATION, COOPERATION IN PRODUCTION

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[Article by I. Kareyev: "Bilateral Programs for Production Specialization and Cooperation"]

[Text] The main direction of the economic development of the countries of the socialist community in the modern stage is intensification of public production, utilizing the advantages of socialist economic integration. Tasks for increasing the economic effectiveness of production and accelerating scientific and technical progress are coming to the fore in integrated cooperation. In the accountability report of the CPSU Central Committee to the 26th Party Congress, Comrade L. I. Brezhnev emphasized that "the CPSU and other sister parties are following a course toward transforming the next two five-year plans into a period of intensive production and scientific-technical cooperation among the countries of socialism." The forced development of integration in the 1980's precisely along this line is explained by the fact that the sources of extensive production growth are already exhausted to a significant degree in the majority of the CEMA countries. Thus the limits of growth of reciprocal deliveries of many kinds of fuel and raw material commodities are close or have already been reached, and therefore there is an increased need for efficient utilization of existing resources through concentration and specialization of production as well as the application of progressive technical equipment and technology.

International specialization and cooperation in production (MSKP), it was pointed out at the 34th CEMA session, are organically coordinated with joint programs for scientific research and planning and design work, and in the 1980's they will become essential factors in the rearrangement of the branch structures and technologies. They will be directed towards saving on natural and labor resources and accelerating the introduction of modern technical equipment. The results of the large amount of work that has been done by the CEMA countries in recent years for deepening production specialization and cooperation are a guarantee for successful fulfillment of these tasks. There are now more than 120 multilateral and more than a thousand bilateral agreements concerning specialization and cooperation, within whose framework reciprocal deliveries of products last year, according to a preliminary estimate, reached almost 25 billion rubles as against 330 million rubles in 1970. The volumes of exports of specialized products from machine building in the reciprocal deliveries of the CEMA countries are increasing approximately twice as rapidly as the raw exports of machines and equipment, the proportion of specialized deliveries amounting to 35 percent in 1979 (24 percent in 1975).

At the present time the further development of international specialization and cooperation in production among the CEMA countries makes it necessary to solve a wide range of problems that are of great national economic significance. They include increasing the comprehensiveness and the intercoordination of research and technical developments, creating and introducing into production mainly new kinds of technical equipment, organizing technical servicing for them, and expanding specialization in standardized components and parts in order to optimize the production of the final product. The scope and comprehensive nature of these tasks are such that their practical implementation is related to an ever increasing changeover to the development and implementation of large joint economic and scientific-technical programs that envision coordinating and joining together the considerable material, financial and labor resources of the countries of the community for the long-range future.

It was noted at the 34th CEMA session that the pivotal point of all our work for the socialist integration is still the deepening of long-term and stable production and scientific-technical ties on the basis of ever closer cooperation in the area of planning. New steps have been taken along this path. Bilateral long-term programs for specialization and cooperation in production between the Soviet Union and Bulgaria, Hungary, the GDR, Poland, Romania and Czechoslovakia have been prepared and signed.

This was the first time in the practice of cooperation among the sister countries that long-term programs of this kind have been drawn up. They make it possible to coordinate previously developed multilateral long-term target programs for cooperation (DTsPS) and concrete measures for their implementation with bilateral agreements, to concretize the DTsPS in the various countries to augment the objects of cooperation earmarked in them with new ones, and to select the most effective variants for combining efforts and utilizing resources in order to implement them. Bilateral programs give a target orientation to planning and economic agencies in the development of state plans for socio-economic growth and efficient combination of internal and external factors in the development of the branches of the national economy. This is achieved through joint determination in the principle program areas of coordinated economic and scientific-technical policy for the countries in specific areas and a comprehensive approach to solving the problems. An important feature of the program is the fact that they go beyond the framework of the five-year period and thus expand the temporal horizon of cooperation, which will serve as a certain basis for coordinating five-year plans in 1986-1990.

Generalizing the essence of the long-term program that was signed for specialization and cooperation in production between the USSR and the GDR, L. I. Brezhnev noted: "Briefly, its essence consists in the following: everywhere where it is possible and useful, we are stockpiling each other's resources and production capacities in order to successfully solve the most difficult problems in economic development." The program also works out problems of further deepening of collaboration, specialization and cooperation in the area of science and technology for the development of new items that correspond to the world level, progressive technologies and means of production in order to efficiently utilize existing capacities and to develop new, highly effective specialized capacities, as well as to strengthen the material and technical base of production, particularly in the cooperation of the supply of raw material and fuel.

The main directions for cooperation earmarked in the program are based on a firm foundation that was laid in the 1970's. The results achieved during this period in the area of specialization and cooperation in production have contributed to a significant increase in commodity turnover between the USSR and the GDR. During the period from 1970 through 1979 it increased 2.4-fold and exceeded 8 billion rubles in 1979. The Soviet Union provides 36 percent of all the commodity turnover of the GDR, and in terms of the volume of reciprocal exchange of specialized and cooperative products with the USSR, the GDR is first among the CEMA countries. Economic and scientific-technical cooperation between the USSR and the GDR become large in scope. Both countries are implementing more than 100 agreements in economic and scientific-technical areas. Scientists and specialists of the USSR and the GDR are jointly developing more than 1,000 large scientific and technical subjects.

The joint work conducted in recent years by organizations of the USSR and the GDR on the basis of research and production cooperation have contributed increasingly to strengthening the material and technical base for cooperation. Thus they reconstructed the equipment plants in Penza (USSR) and Magdeburg (GDR), while at the same time redistributing production programs among them for concentration of the production of certain type sizes of equipment and reducing parallel output of them at these enterprises. As a result labor productivity at the Magdeburg equipment plant, according to calculations of GDR specialists, increased 1.8-2.1-fold. At the Penza equipment plant, as a result of the startup of a line for processing valve housings, labor productivity increased 2-fold, and in the newly created section for plasma cutting--10-fold. Because of the cooperation, plants for producing new, progressive construction material were created with minimal expenditures of labor and material resources--dense silicate concrete in Grodno and Hütchendorf, and Polimir installations were put into operation for producing high pressure polyethylene in Novopolotsk.

Thus combining the economic and scientific-technical capabilities of the GDR and the USSR in order to jointly solve large national economic problems have already produced a certain economic effect. "The program for specialization and cooperation in production between the GDR and the USSR up to 1990," noted E. Honecker, "and also the long-term target programs for cooperation between the CEMA countries arm us with an overall strategy which takes into account the capabilities and requirements of the 1980's. Relying on these documents, we shall jointly solve more and more large problems in the area of science, technology and production."

Taking into account the GDR's limited fuel and raw material base, in the long-term program primary attention is devoted to the development of power engineering and the implementation of effective measures that make it possible to reduce the expenditure of fuel and raw material. In the area of metallurgy, the program envisions joint development and improvement of technological processes and equipment for producing steels and alloys. Principally new processes will be investigated--automated cold rolling of steel pipes and rolled strip steel with protective coverings. It is intended to jointly develop and produce instruments made of synthetic diamonds and other ultra-hard materials which will contribute to the introduction of effective technologies in machine building, the glass industry, metallurgy and other branches. The program earmarks the implementation of measures directed toward solving important social problems. Among them one should take note of mechanization based on cooperation of machines and equipment for those subsidiary and

auxiliary processes where unskilled labor force is still used on a large scale. Much importance is attached to further development of cooperation in the production of high-quality consumer goods.

The cooperation between the USSR and the CEMA countries in machine building, which is envisioned by bilateral programs, is increasingly characterized by the long-term nature of production and economic ties and their comprehensiveness. This cooperation will embrace scientific research and planning and design work, production of new machines and equipment on the basis of joint developments, and also coordination of capital investments in the development of the corresponding capacities. For example, the general scheme (long-term program) for the development of specialization and cooperation in the area of material production up to the year 1990 which was signed between the USSR and Bulgaria earmarks the main goals for deepening economic and scientific-technical cooperation during the ten-year period and the main directions for specialization and cooperation and other forms of production and economic cooperation in material production, particularly in power engineering, ferrous and nonferrous metallurgy, machine building, the chemical and petroleum processing industry, agriculture and transportation. Questions of cooperation in machine building occupy a special place in the general scheme. Machine building is involved in 25 of the 29 bilateral agreements in the area of production specialization. In keeping with them, in 1976-1980 the volume of deliveries of specialized machine building products from the USSR to Bulgaria increased more than 2-fold as compared to the preceeding five-year plan. The USSR receives 70 percent of the Bulgarian exports of machines and equipment. The main specialized products of Bulgarian machine building among them are electric telthers, automatic loaders, electric stackers, electric carts and electronic computer equipment. About 70 percent of the exports of specialized products from Bulgaria to the USSR are from 6 branches: lifting and transportation equipment, computer and organizational equipment, tractors and agricultural machines, power and electrotechnical equipment, communications equipment, radios and televisions, and means of transportation. Production and exports of equipment for the chemical, pulp and paper, construction, light and the food industry are occupying an increasingly important position. Expansion of specialization and cooperation between the USSR and Bulgaria in these branches is also envisioned as a main line for the formation of the production and export profile in the future.

The long-term program for the period up to 1990 between the USSR and Poland envisions further deepening of the cooperation between the two countries. In the area of machine building the Soviet Union specializes in the production and delivery to Poland of power, mining and metallurgical equipment, road construction machines, trucks, tractors, steam engines and electric engines, metal processing and electrotechnical equipment, radio and electronic items and instruments. Poland's specialization, in turn, includes ship building, rolling stock for railroads, equipment for light and the food industry, chemical, petrochemical, metal processing and mining equipment, electronic computer equipment, and communications industry items. One of the important areas of the Soviet-Polish bilateral program is the creation and accelerated assimilation of new machines, equipment and materials with improved quality features. These tasks will be carried out both through efficient utilization of existing specialized production capacities and on the basis of the creation of new, highly efficient specialized industries, primarily through the reconstruction and modernization of existing enterprises.

In the long-term program with Poland special attention is devoted to industrial cooperation for the purpose of fuller satisfaction of the needs of both countries for standard parts, batching items and spare parts. Moreover the development of ties for cooperative production of aggregates, components and parts for items produced in the USSR and Poland is oriented in the long-term program toward increasing production concentration in the manufacture of individual items in optimal series for maximal utilization of the advantages of mass and large-series production.

In the 1970's production cooperation between the USSR and Poland was considerably developed in the automotive industry, the production of construction and road machines and machine tool building. Almost 75 percent of the commodity turnover in machine tools and instruments came under cooperative deliveries, and they are large in scale. Thus during the past five-year plan Poland delivered more than 2 million electromagenetic clutches for metal cutting machines, 400,000 lathe chucks and other items. In turn, Soviet machine tools delivered to Poland comprised about 20 percent of the machine tool equipment that Poland imports. Reciprocal cooperative deliveries between the USSR and Poland in the automotive industry are reaching one-third of the overall volume of both countries in this branch. For Soviet Zhigulis Poland annually delivers 1.5 million shock absorbers, 2.5 million lights, and 500,000 switches; and for the KamAZ trucks--25,000 sets of parts for brake systems. For motor vehicles produced in Poland the USSR delivers wheels, bearings, windows, washers and other items.

In the reciprocal exchange of construction and road equipment between the USSR and Poland, recently there has been a prevalence of such forms of cooperation as joint development of new types of hydraulic self-propelled cranes and also the sharing of production programs for batching items and parts. These areas of production cooperation are earmarked by the long-term program in other branches of machine building as well--for the production of underground and open pit mining equipment, equipment for electric and thermal stations, metallurgical equipment, electric city transportation, and equipment for extracting, transporting and processing petroleum and gas.

The long-term program signed by the USSR and Rumania envisions the development of specialization and cooperation in a number of most important branches of the national economy. At the present time, in order to implement this program, the cooperating ministries and departments of both countries have prepared proposals for specific volumes and lists of reciprocal deliveries of products resulting from specialization and cooperation. Thus in the area of the electrotechnical industry, Soviet agencies are to specialize in the production of complex, high-voltage equipment, cable items and electric welding equipment, and the Rumanians are to specialize in the output of complex transformer substations, electric engines and automatic circuit breakers. In tractor and agricultural machine building Soviet enterprises will specialize in the production of various types of plows, machines for harvesting the roots and tops of plants, combines for harvesting flax, hemp and tomatoes, hemp threshers and reapers, and hemp binders; and Rumanian plants will produce universal seeders, threshing machines and machines for cleaning corncobs.

The specialization of Soviet organizations in the area of machine building for animal husbandry and feed production is to include the production of loaders for stalk feeds, sets of electric shearing equipment and feed distributors; and the Rumanian organizations--in the production of trailer pickups. In chemical and petroleum

machine building Rumanian enterprises will have to deliver petroleum equipment for various technological purposes so that the USSR can produce combined installations of the LK-6U type, installations for catalytic cracking and hydraulic cracking of vacuum gas oil; and the USSR will produce installations for high-pressure polyethylene and bulk polymerized polystyrene.

In the electronic industry Soviet organizations are to specialize in the production of vidicons for electronic-ray oscillograph pipes, color picture tubes, and generator lamps, and Rumanian organizations--in the production of radio components, electronic optical systems and elements for color picture tubes.

The ministries have an agreement concerning specialization in the area of instrument building. Soviet enterprises will produce instruments for control and regulation of technological processes, analytical instruments and instruments for scientific research, electrical measurement instruments, instruments for measuring mechanical amounts, and also instruments for physics research. Rumanian enterprises will manufacture electromagnetic flow gauges, electrical and electropneumatic positioners, analytical weights and balances, and systems and devices for fire alarms. Additionally, Soviet and Rumanian organizations will specialize in the production of automated systems for control of technological processes.

In the area of heavy and transportation machine building the coordinated list of products includes the specialization of Soviet organizations in the production of equipment for pressing machines, type rolling aggregates, equipment for broad strip machine tools for hot and cold rolling and drilling machines; Rumanian organizations are to specialize in the production of coke and cinder equipment, equipment for sets of machines for continuous casting of blanks, brake equipment, hydraulic cylinders and hydraulic equipment.

The USSR will deliver to Rumania petroleum refuse collectors, boats, floating docks and self-propelled barges; Rumania will deliver the USSR tankers, dry cargo ships, sea barges and fire boats. Moreover, there is a coordinated list of reciprocal deliveries of batching equipment for ships. The list of products included in specialization and production in the machine tool instrument industry includes heavy and unique and also special metal cutting machines and components for them, timber processing equipment, highly productive forging and pressing equipment and instruments for processing metallic and nonmetallic materials.

The development of specialization and cooperation in the area of the chemical industry will be directed towards the production of various types of chemical means of plant protection, mineral fertilizers and other chemical products based on ties that already exist in this branch of industry.

The long-term programs envision not only exchange and reciprocal deliveries of products included in specialization and cooperation but, especially important, cooperation among organizations during the course of their production. Thus the programs and the documents developed on the basis of them coordinate all elements of specialization and cooperation as a comprehensive process whose implementation must be intercoordinated. The necessary structural changes related to this process will be carried out in the corresponding sections of production.

It is difficult for the programs to take into account all stages of forthcoming work and all details of the cooperation. Therefore the ministries and departments of the sister countries are developing the "Main Directions (Branch Subprograms) for the Development of Specialization and Cooperation for the Period up to 1990" in individual branches of the national economies of the CEMA countries. Thus, according to six long-term programs signed by the USSR and the European CEMA countries, 143 branch subprograms are to be prepared. They should determine the specific conditions, forms and time periods for cooperation and also mutual commitments of the parties, taking into account both the general directions for the development of bilateral ties for the ten-year period and the specific features of the cooperation of the organizations of the USSR and the other CEMA countries in one branch of material production or another.

Until recently, when preparing joint proposals for the development of specialization and cooperation, primary attention was devoted to questions of increasing production concentration. And the creation and introduction of new materials, technological processes and the corresponding machines and equipment, the achievement of optimal series production, a rise in the technical level, improvement of product quality and the periodic updating of products were carried out, as a rule, through the internal resources and capabilities of each country. The role of mutual bilateral cooperation was minimal here, and scientific and technical cooperation was not adequately coordinated with production cooperation. Thus in 1976-1980 more than 50 Soviet and 20 Bulgarian ministries and departments participated in bilateral scientific and technical cooperation between the USSR and Bulgaria, and more than 600 subjects were developed jointly. But only one-sixth of them were related to the creation of new items and kinds of equipment. The situation was similar in the cooperation with other CEMA countries.

Special attention has been devoted to these problems in the branch subprograms. Thus 36 branch subprograms developed with Bulgaria determine the specific policy and time period for conducting joint scientific research and planning design work in 1981-1985 for creating and introducing 260 new kinds of machines, equipment and parts, raising the technical level, improving the quality of products and also updating them.

In order to carry out the Soviet-Czechoslovakian long-term program for the development of specialization and cooperation in production, 18 branch subprograms have been prepared. They allot an important place to questions of periodic updating of the specialized products that are delivered and including items with increased technical complexity in their list. Czechoslovakian exports of specialized products to the USSR, in addition to items that have already become traditional, include Tatra trucks, shovel type loaders to be used with trucks, passenger and cargo ships of "river-sea" type, automated telephone stations, lathes and semiautomated machines, bearings and so forth. Such items as automated equipment, equipment for smelting under pressure, medical x-ray equipment, auxiliary equipment for the textile and rubber industry, chemical preparations for plant protection, electroinsulating glass fabrics and so forth have also appeared. This list is to be considerably expanded on the basis of joint developments. The branch subprograms with Czechoslovakia envision conducting joint work on 330 problems and subjects, as a result of which it is intended to create and introduce into production 140 new

types of machines and equipment, 95 progressive technological processes and 14 kinds of construction materials, as well as to develop 32 sets of technical and planning documentation and to carry out a number of other projects.

The long-term program signed by the USSR and Hungary includes cooperation in the development of specialization and cooperation of production of both countries in 19 branches of industry. Let us consider several of the Soviet-Hungarian branch subprograms. One of the more rapidly developing areas of economic cooperation between the USSR and Hungary is the automotive industry. In 1976-1980 reciprocal deliveries of products from this branch increased 1.5-fold as compared to 1971-1975, amounting to 2.7 billion rubles' worth. The branch subprogram in the area of the automotive industry envisions considerably expanding the list of specialized products and increasing the volume of reciprocal deliveries 2-fold in 1981-1985. It is intended for Hungary to continue to deliver new models of Ikarus busses to the USSR, and the Soviet Union is to deliver cargo and passenger vehicles, motorcycles, mopeds and bicycles. Moreover it is intended to double the reciprocal deliveries of components and parts produced in cooperation, rear axles from Hungary and various kinds of propeller shafts from the Soviet Union.

In the branch subprogram in the area of machine tool building, an important place is occupied by comprehensive completion of the development of all phases of bilateral cooperation--planning, production and sales of the prepared products. The subprogram also includes the organization of direct cooperation between machine building enterprises of both countries. Hungarian enterprises will specialize in the production of 8 kinds of metal cutting equipment and 4 kinds of forge and press equipment, and Soviet enterprises will specialize in producing 64 kinds of metal cutting machines, 28 kinds of forge and press equipment, 28 kinds of smelting equipment and also measurement instruments and devices. Joint developments will make it possible to introduce into production 19 new kinds of equipment and materials. It is intended for the proportion of specialized items in reciprocal deliveries of products to increase to 80-90 percent.

During the current ten-year period there will be a significant expansion of Soviet-Hungarian cooperation in ship building and power machine building. There will be a considerable increase in the deliveries of components and parts from the USSR to Hungary, and joint planning will be arranged for new types of components. The subprogram in the area of power machine building concretizes the mutual commitments of the Soviet and Hungarian sides that arise from previously concluded multilateral commitments concerning specialization of production and reciprocal deliveries of individual kinds of components, turbines, auxiliary equipment, boilers and water preparation installations.

The coordinated perspectives for the development of production specialization between the USSR and Hungary go beyond the framework of the ten-year period in certain branches. These include, for example, their cooperation in the area of the chemical industry. In the first half of the 1970's in Leninvarosh (Hungary), a large olefine combine was constructed with technical assistance from the Soviet Union, which satisfies the needs of a number of Soviet and Hungarian chemical enterprises. At the same time in Kalusha (USSR) a combine was put into operation for producing 250,000 tons of polyvinylchloride. These enterprises were joined together by a pipeline that is 330 kilometers longs. Such a distribution of the production programs

between two technologically related enterprises made it possible to avoid the creation of parallel capacities in both countries and to develop production economically and at accelerated rates. In the middle of the 1980's it is intended to construct another combine in Kalusha for processing olefines, and from 1986-2000, in exchange for deliveries from Hungary of 25,000 tons of polypropolene for producing fibers, the Soviet Khlorvinil association will annually deliver to the chemical combine in Leninvarosh 60,000 tons of ethylene and other chemical products. The 19 Soviet-Hungarian branch subprograms envision the joint development and introduction of 150 new kinds of equipment and materials and 75 new technological processes.

The bilateral long-term programs envision intensification of work for standardization and unification.[1] Branch subprograms for specialization and cooperation contain lists of prepared items and parts that are to be standardized and unified as well as specific time periods for the development and introduction of standards. This pertains above all to the output of products of mass and large-series production and especially those manufactured under reciprocal interstate cooperation. Additionally, the countries are using technical and economic indicators for products that correspond to the best world models and coordinating their standards with the standards developed in the CEMA countries on a multilateral basis.

This question is especially important, particularly for reciprocal deliveries of components and parts that are carried out under the policy of cooperation between the USSR and Bulgaria, since these deliveries now comprise one-third of the reciprocal bilateral exchange of machine building products produced in specialization and cooperation, which approaches the level that is typical of western European countries. Both countries attach a great deal of significance to further increasing reciprocal exchange of components and parts, above all those items whose deliveries are stable.[2] There are extensive prospects for this kind of exchange in other branches as well. Thus the branch subprogram with Bulgaria in the area of the machine tool building and instrument building industry envisions the organization of cooperation production of 7 types of metal cutting instruments. The USSR will deliver individual prepared components and parts for assembly at two Bulgarian enterprises for lathes and circular grinding chucks for semiautomated machines with numerical program control, and Bulgaria will deliver components for transportation and loading equipment and other unified elements for equipping machine tools with numerical program control, small combined machine tools and automated lines of machine tools that are produced in processing centers of the USSR. On the basis of cooperation in producing individual components, it is also intended to organize the production in the USSR and Bulgaria of 8-position carousel machines for smelting with counter pressure.

The branch subprogram in the area of tractor and agricultural machine building, on the basis of already existing division of labor, envisions further development of production in the USSR and cooperative delivery to Bulgaria of components, parts and batching items for tractors of the MTZ-80 type and its modifications, self-propelled reapers for harvesting pulse crops, SM-4 grain cleaning machines, KhPS-6 adapters for combines for harvesting soybeans and hydraulic aggregates. Cooperative deliveries from Bulgaria to the USSR of components and parts for agricultural equipment are also to be considerably expanded in the future, both in terms of volume and in terms of variety. In particular, Bulgaria will deliver batching items for the KS-6 sugar beet harvesting combines, the BS-6 top harvesting combines,

reducing gears for tractors of the MTZ-80 type, hydraulic aggregates and certain systems of electronic equipment for agricultural machines.

The efficiency of the operation of the machines and equipment that are delivered will depend largely on the organization of their technical servicing and the supply of spare parts for them. The increasing scope of reciprocal exchange of machine building products between the USSR and Bulgaria have been brought about by new forms of cooperation in this area. During the past five-year period three Soviet technical centers were created in Bulgaria for servicing the equipment delivered from the USSR (road and construction machines, automotive equipment, tractors and agricultural machinery). There are four Soviet technical centers in operation in Czechoslovakia and three more are under construction. There are three technical centers in operation in Poland and there are also technical service centers in other CEMA countries. It is intended to create centers like this in our country as well--for lifting and transportation machines, electronic computer equipment, radio telephone stations, electric typewriters and other kinds of equipment that are delivered from the CEMA countries.

The development of branch subprograms for the period up to 1990 and the fact that they embrace a broad complex of questions related to further development of specialization and cooperation of production demand, in our opinion, the corresponding agreements (contracts) concerning specialization and cooperation of production. The existing bilateral agreements so far mainly establish the products lists and volumes of reciprocal deliveries. The commitments of the various parties for improving the quality and raising the technical level of the products produced in specialization and cooperation as well as questions of standardization, as a rule, are not reinforced by a system of effective responsibility of the partners for their fulfillment in the agreements. In order to eliminate existing shortcomings in the agreements (contracts) concerning specialization and cooperation in production, it is necessary to provide for the solutions to a complex of economic, production, trade, scientific-technical, currency-financial, legal and other questions. In our opinion, all measures earmarked in the branch subprogram for cooperation should also be reflected in the agreements concerning specialization and cooperation. Of course the subprograms that have been prepared will be distinguished both by the specific features of the branches in which the cooperation is being carried out and by the degree of development of the cooperative ties among the countries in one branch or another. Nonetheless a number of common problems relating to the expansion of specialization and cooperation of production (regardless of the branches) predetermine their practical realization on the basis of a unified approach. This means that agreements (contracts) should be unified in structure. Thus there appears, in our view, the need to prepare standard bilateral agreements (contracts) concerning specialization and cooperation in production.

In the model standard agreement the most important questions are those of a production and technical nature. They include the technical parameters of the products, the time periods for the assimilation and curtailment of production, modernization of items, joint development and approval of standards, and the implementation of measures for the development (reconstruction, modernization and creation) of capacities for producing products delivered under the MSKP and kinds of technical servicing for the products that are delivered.

The agreements should include questions of a commercial and legal nature, that is, the volumes and product lists for reciprocal deliveries of products, spare parts, prices, sanctions, work for joint utlization of licenses, and "know how." Moreover, it is expedient for them to reflect questions of scientific and technical cooperation: time periods for conducting scientific research and experimental design work concerning the most important problems, and for the creation and improvement of specialized products.

The development and deepening of cooperation between the USSR and other CEMA countries and the quantitative and qualitative changes in the nature of economic relations now raises the question of further improvement of the mechanism of planning measures for developing bilateral production and economic ties. As we know, the USSR commitments arising from agreements concerning specialization and cooperation of production are reflected in the corresponding subsection of the integration of the state plan, which is limited so far to indicators of the volumes and the basic products list for exports and imports of products.

The intensification of bilateral ties between the USSR and other CEMA countries dictates the need to reflect more fully in the integration section of the state plan the material-financial and labor resources that provide for the fulfillment of commitments involved in specialization and cooperation of introduction, the use of credits from the MIB for these purposes and scientific and technical cooperation. It seems to us that the time has come for this section of the plan to establish the countries' commitments related to measures envisioned by the bilateral branch subprograms for the development of specialization and cooperation through the period up to 1990. Additionally, the indicators of the integration section of the plan should be more closely coordinated with other sections of the state plan.

The integration section of the plan that is now drawn up should be expanded because of the adoption of bilateral programs. In our opinion, it should be divided into consolidated and analytical parts.

The consolidated part could give the volumes of reciprocal deliveries of products produced through specialization and cooperation (for the country as a whole and for the ministries) and the main measures (subject matter and time periods for implementing the most important scientific research and experimental design work, the introduction of new kinds of machines, equipment and items, standardization and unification, the development of production capacities for producing products through specialization and cooperation and so forth), and also expenditures of resources on the implementation of these measures. The analytical parts of the section of the plan could concretize the indicators of the consolidated part (for the various ministries and departments) in terms of the products list, which should be, in our opinion, more detailed than the products list that is given in the integration sections of the state plan.[3] This products list now contains only several dozen positions, the delivery of components and parts is not established in it, and they overlap with the plans of the ministries.

The inclusion in the analytical sections of the plan of a complete list of products that are delivered would contribute to purposeful allotment of export funds for the entire volume and assortment of products envisioned by the agreements and to notifying the enterprises that manufacture the specialized products of their assignments. The analytical parts of the plan could also reflect the assignments of the

ministries for developing scientific and technical problems relating to the development of specialization and cooperation and indicate the subject matter and time periods for carrying out developments, the organizations doing the work and the funds necessary for this more concretely than in the consolidated part of the plan, and should develop planning assignments for the introduction of new kinds of machines, equipment, items, technological processes and materials as well as for the development and unification of standards, investments and other support for the earmarked measures.

The interests of the matter require the active participation of the ministries and departments in this work. As early as the 25th CPSU Congress L. I. Brezhnev noted: "We think that strict and precise fulfillment of measures collectively earmarked by the sister countries and out commitments to them are the sacred duty of the Gosplan, ministries, departments, associations and enterprises and all who are involved in this section of our work." The "Main Directions for the Economic and Social Development of the USSR During 1981-1985 and the Period up to 1990" adopted at the 26th Party Congress sets the task of "increasing the responsibility of ministries, production associations, enterprises and organizations for the fulfillment of commitments in the area of foreign economic relations."

The implementation of bilateral programs and the branch subprograms that have been developed for this purpose along with the fulfillment of long-term target programs in the most important branches of the national economy will contribute to further improvement of international specialization and cooperation introduction.

FOOTNOTES

1. At the present time little more than 600 standards have been unified on a bilateral basis between the USSR and Bulgaria, including about 100 in the area of machine building. Under the current five-year plan it will be necessary to unify no less than 3,500 standards for machine building products that are delivered under the policy of specialization and cooperation.

2. These deliveries include elements for electronic computer equipment and also components and parts for the automotive industry, machine building, light and the food industry and construction and road machine building.

3. We agree that "the need for strict and precise observance of integration commitments makes it possible to think about singling out deliveries as concretely as possible in the national plans. This task consists in not "losing" the position agreed upon during the development of variants of specialization of production, providing for the fulfillment of international commitments that have been made, and carrying this position through to the plan of the enterprises and giving them time for preparation of production and deliveries of products to the CEMA countries." (Yu. Kormnov, "Spetsializatsiya i kooperirovaniye proizvodstva stran SEV (v usloviyakh sotsialisticheskoy ekomonicheskoy integratsii") [Specialization and Cooperation in Production Among the CEMA Countries (Under the Conditions of Socialist Economic Integration)], Izdatel'stvo "Ekonomika", 1972).

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